# WEEKLY ECONOMIC REVIEW

**DECEMBER 2, 2005**

Data released this week showed a solid pace of economic expansion in Cananda and the United States. With continued strong growth, short-term interest rates are expected to increase. Elsewhere, the European Central Bank raised interest rates by 25 basis points to 2.25 per cent this week, the first increase in five years.

Canadian Real Gross Domestic Product (GDP) increased at an annulaized rate of 3.6 per cent in the third quarter of this year, the highest growth since the second quarter of 2004. Growth was supported by the energy sector which pushed up business investment and corporate profits. With third quarter growth above the Bank of Canada's estimates for potential growth, it is expected that the Bank will raise interest rates several times over the coming year. The Canadian dollar rose by one-half of a percentage point on prospects of rising rates.

The US economy grew by 4.3 per cent in the third quarter of 2005, up 0.5 percentage points from the advance estimated released in October. Other indicators are suggesting a continuation of solid growth in the near term. For example, durable goods order rose by a larger-than-expected 3.4 per cent in October, more than offsetting the 2 per cent decline in September.

**Cdn Dollar (C¢/US$)**

| | |
|---|---|
| Dec 02, 2005 | 86.0¢ |
| Nov 25, 2005 | 85.5¢ |
| 2005-06 YTD | 82.6¢ |

**WTI Oil SUS/bbl**

| | |
|---|---|
| Dec 01, 2005 | $58.47 |
| Nov 23, 2005 | $58.71 |
| 2005-06 YTD | $58.79 |

**Nymex Natural Gas CS/mcf***

**December Contract**

| | |
|---|---|
| Dec 02, 2005 | $15.29 |
| Nov 25, 2005 | $13.58 |

*Estimate based on Nymex Futures Market Price

Employment in Canada increased by 30,600 in November, building on the gain of 68,700 in October. The unemployment rate fell by 0.2 percentage points to 6.4 per cent, its lowest in more than three decades.

The U.S. economy added 215,000 jobs, the biggest gain since July. The unemployment rate held steady at 5 per cent.

Forecasts of colder weather and decreases in storage levels strengthened natural gas prices during the week.

| Economic Indicators Released this Week | Reference Period | Month/Previous Month | Month/Previous Year's Month | Year-to-date[1] |
|---|---|---|---|---|
| **Industrial Product Price Index (1997=100)** | **October** | | | |
| **Canada** | 111.8 | -0.1% | 1.4% | 1.2% |
| **Raw Materials Price Index (1997=100)** | **October** | | | |
| **Canada** | 150.7 | -1.4% | 8.3% | 12.4% |
| **Employment (November)** | **Monthly Change** | | | |
| **Alberta** | +200 | 0.0% | 1.6% | 1.6% |
| **Canada** | +30,600 | 0.2% | 1.6% | 1.4% |
| **United States** | +215,000 | 0.2% | 1.5% | 1.6% |

*Source: Statistics Canada and Bureau of Labor Statistics*

*[1]Year-to-date 2005 compared to the same time period in 2004. For example: January-October 2005 versus January-October 2004*